

Message Text

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ACTION OPIC-06

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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 6795
INFO AMEMBASSY QUITO
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SECTION 1 OF 2 MANAGUA 2618

SAN SALVADOR ALSO FOR AGR ATT

E.O. 11652: N/A
TAGS: BEXP, EINV, EPAP, NU
SUBJECT: REQUEST FOR OPIC POLITICAL RISK INVESTMENT INSURANCE--
STANDARD FRUIT COMPANY, 524-78-179--NICARAGUA

REF: OPIC MEMO OF 4/25/78, THIS SUBJECT

1. EMBOFF VISITED STANDARD FRUIT COMPANY OPERATIONS IN CHINAN-
DEGA AREA MAY 31 AND SAW BOTH PRESENT FACILITIES AND SITE OF THE
PROPOSED NEW BANANA FARM. ACCORDING TO COMPANY OFFICIAL, STANDARD
FRUIT CURRENTLY OPERATES 12 BANANA FARMS, COVERING NEARLY 6,000
ACRES AND CONTAINING SOME 18 PACKING PLANTS.

2. DESPITE THE SIZE OF ITS OVERALL OPERATIONS, STANDARD FRUIT OWNS
VERY LITTLE INFRASTRUCTURE IN NICARAGUA. IT LARGELY LIMITS ITS
HOLDINGS HERE TO PACKING, ENGINEERING AND REPAIR FACILITIES, OFFICE
EQUIPMENT AND A FEW VEHICLES. (THIS POLICY MAY HAVE BEEN DESIGNED
TO MINIMIZE THE CONTROVERSY THAT THE ACTIVITIES AND HUGE LAND HOLD-
INGS OF FOREIGN BANANA COMPANIES HAVE HISTORICALLY PROMPTED IN
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VARIOUS CENTRAL AMERICAN REPUBLICS.) STANDARD'S FARMS FUNCTION AS
JOINT VENTURES WHOSE FIELD HANDS AND PACKERS WORK FOR THE "SOCIE-
DADES" (PARTNERSHIPS) FORMED TO OPERATE EACH FARM. LOCAL FIRMS TRANS-
PORT THE FRUIT TO PORT AND MAINTAIN BANANA PLANTATION ROADS UNDER
CONTRACT; THE CORINTO PORT AUTHORITY LOADS THE BANANAS WITH ITS OWN
EQUIPMENT ONTO REFRIGERATED CARGO VESSELS CONTRACTED BY STANDARD
FRUIT. THUS, ALTHOUGH STANDARD EMPLOYS NOT MORE THAN 300 WORKERS ON

A DIRECT HIRE BASIS, ITS BANANA OPERATIONS GIVVE EMPLOYMENT TO MANY HUNDREDS MORE WHO WORK ON THE PLANTATIONS, IN THE PACKING PLANTS, AND IN THE TRANSPORT SECTOR..

3. THE FARMS ARE THE KEY TO STANDARD'S SYSTEM. STANDARD TYPICALLY ARRANGES WITH A LOCAL LANDOWNER TO LEASE HIS FARM TO A SOCIEDAD IN WHICH HE AND OTHER NICARAGUANS HOLD 80 PERCENT INTEREST AND STANDARD THE REMAINING 20 PERCENT. (STANDARD'S LOCAL DIVISION MANAGER USUALLY SERVES AS THE SOCIEDAD'S PRESIDENT.) THE LANDOWNER SIGNS A 10-YEAR CONTRACT WHICH GUARANTEES HIM A LAND RENT PLUS A PERCENTAGE OF EARNINGS FROM BANAN PRODUCTION. THE SOCIETY DRILLS WELLS, INSTALLS IRRIGATION EQUIPMENT, PLANTS THE BANANAS, BUILDS AND OPERATES THE PACKING PLANTS, AND PROVIDES HOUSING AND OTHER FACILITIES FOR THE FARM'S PERMANENT WORKERS. STANDARD PROVIDES TECHNICAL ADVICE AT ALL STAGES OF THE OPERATION, MAINTAINS QUALITY CONTROLS, AND HANDLES THE MARKETING. PARTICIPATING FARMS HERE RANTE IN SIZE FROM 200 TO 700G ACRES.

4. EMBOFF SAW THE HOUSING PROVIDED TO PLANTATION EMPLOYEES, HOUSING, THOUGH SIMPLE, SEEMED ADEQUATE AND WAS VASTLY SUPERIOR TO THAT AFFORDED COTTON FIELD WORKERS ON ADJACENT FARMS. (N.B. MOST OF STANDARD'S BANANA PLANTATIONS WERE PREVIOUSLY PLANTED TO COTTON, THUS THE COMPARISON WITH HOUSING ON COTTON FARMS IS PERTINENT.) THE HOUSING SEEN HAD ELECTRICITY BUT APPARENTLY NO WATER. LATRINES AND SHOWERS IN DETACHED BUILDINGS SERVE THE SIXTY OR SO PERMANENT SATFLIMITED OFFICIAL USE

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FERS OF A GIVEN FARM'S COLONY. MOST FARMS REPORTEDLY OFFER LIMITED COMMISSARY SERVICES AT MODERATE PRICES TO THEIR WORKERS. THE LARGEST FARM VISITED PLANS TO INSTALL AN ELEMENTARY SCHOOL, DISPENSARY, AND COMMUNITY TV/ENTERTAINMENT AND SPORTS CENTER FOR ITS EMPLOYEES AND HAS ALREADY BUILT A SOCCER FIELD. THE MANAGER ENCOURAGES WORKERS TO PLANT FRUITS AND VEGETABLES IN PLOTS ADJACENT TO THEIR QUARTERS SO AS TO IMPROVE THEIR NUTRITION.

5. MOST OF THE PACKING PLANT WORKERS ARE WOMEN WHO ARE PAID ON A PRODUCTION BASIS. THEY LIVE IN NEARBY TOWNS AND ARE EMPLOYED ONLY ON THE 2-3 DAYS PER WEEK WHEN BANANAS ARE PROCESSED FOR SHIPMENT. THEY REPORTEDLY EARN AN AVERAGE OF 2.20 CORDOBAS PER HOUR, EQUIVALENT TO THE MINIMUM WAGE. (US\$1 EQUALS 7 CORDOBAS).

6. ACCORDING TO A COMPANY OFFICIAL, THE NEW FARM, FOR WHICH OPIC COVERAGE IS BEING SOUGHT, WILL BE THE MOST MODERN IN CENTRAL AMERICA. APPROXIMATELY 80 OF THE FARM'S 500 ACRES WILL HAVE DRIP IRRIGATION, AN EXPERIMENTAL MOTHOD FOR REDUCING WATER USAGE AS COMPARED WITH TRADITIONAL FIXED AND MOBILE SPRAY-TYPE EQUIPMENT. THE FARM WILL ALSO FASTEN BANANA PLANTS TO OVERHEAD CABLES SUSPENDED FROM STEEL ARCHES OR CONCRETE PILLARS SO AS TO REDUCE BLOWDOWNS. A CONVEYER SYSTEM WILL FACILITATE THE DELIVERY OF CUT STEMS

TO THE PACKING PLANTS.

7. THE COMPANY CONSIDERS THE LANDS AROUND CHNINADEGA TO BE AMONG THE WORLD'S BEST BANANA LANDS. ANNUAL YIELDS AVERAGE 1,400 40-POUND BOXES PER ACRE FROM THE BETTER-RUN FARMS IN THE AREA.

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ACTION OPIC-06

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R 072110Z JUN 78
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 6796
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AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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SAN SALVADOR ALSO FOR AGR ATT

8. THE EXPANSION OF STANDARD FRUIT'S BANANA OPERATIONS IN NICARAGUA WILL UNDOUBTEDLY BENEFIT NICARAGUA'S ECONOMY. IN 1977, ACCORDING TO OFFICIAL DATA, NICARAGUA EXPORTED 5.2 MILLION BOXES OF BANANAS, WORTH \$4 MILLION. THE EXPORT OF BANANAS HELPS TO FURTHER NICARAGUAN EFFORTS AT PRODUCT DIVERSIFICATION AND DECREASED DEPENDENCY ON A FEW BASIC EXPORT COMMODITIES, SUCH AS COFFEE, COTTON AND SUGAR. BANANAS RANK ABOUT NINTH IN VALUE AMONG NICARAGUA'S AGRICULTURAL EXPORTS. ANOTHER ADVANTAGE IS THAT BANANAS PROVIDE YEAR-ROUND EMPLOYMENT, AND NOT JUST SEASONAL, AS IS THE CASE WITH COTTON AND COFFEE, FOR EXAMPLE. EMBASSY UNDERSTANDS THAT STANDARD PLANS TO CONTINUE INCREASING ITS BANANA PRODUCTION IN NICARAGUA UNTIL IT CAN SUPPLY ALL OF ITS WEST COAST U.S. MARKET FROM THIS COUNTRY. ECUADOR AND NICARAGUA ARE CURRENTLY THE JOINT SUPPLIERS FOR THAT MARKET.

9. REF. MR. COLE'S APRIL 7 LETTER TO STANDARD FRUIT, PLEASE NOTE THAT NICARAGUA'S MINISTER OF ECONOMY IS NOW ROGER BLANDON. HE TOOK OVER FROM MARTINEZ IN ABOUT JANUARY 1978. THE VICE MINISTER OF ECONOMY, WHO SOMETIMES SERVES AS ACTING MINISTER IN BLANDON'S ABSENCE, IS DR. JAIME FERNANDEZ.

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10. EMBASSY WILL BE PLEASED TO PROVIDE ADDITIONAL COMMENTS ON PRO-
POSED STANDARD FRUIT CO.INVESTMENT AS DESIRED.
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